

COURTLAND TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2007

COURTLAND TOWNSHIP
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For the year ended March 31, 2007

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 8, 2007

The Township Board
Courtland Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental and business-type activities, the major funds and the aggregate remaining fund information of Courtland Township (the "Township") as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental and business-type activities, the major funds and the aggregate remaining fund information of Courtland Township as of March 31, 2007, and the respective changes in financial position and cash flows of its proprietary fund types and budgetary comparisons for the General Fund and Fire Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Courtland Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

As management of the Courtland Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

- The Township's net assets increased by \$137,715 (or 2.45 percent).
- Total expenses of the Township's programs were \$1,168,754.
- Total revenues, including all program and general revenues, were \$1,306,469.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$2,136,719, an increase of \$199,851 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$1,839,574, or 254 percent of total General Fund expenditures.
- The Township's Sewer Enterprise Fund had \$2,055,507 in net assets at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety and public works. The business-type activity of the Township is the Sewer Enterprise Fund.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund and Fire Fund, each of which are considered to be major funds. Data from the Inland Lakes Fund is also presented, as it is the Township's only nonmajor governmental fund. The basic governmental fund financial statements can be found on pages 14-17 of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township maintains the Sewer Enterprise Fund to account for its sanitary sewer usage operation and maintenance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 25-34 of this report.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Courtland Township, assets exceeded liabilities by \$5,771,144 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$3,499,529 (61 percent), reflects its investment in capital assets (e.g. land, buildings, sewer system, and equipment). There is no related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2007.

Courtland Township's Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$2,173,891	\$1,978,637	\$ 168,311	\$ 193,446	\$2,342,222	\$2,172,083
Capital assets	1,578,918	1,606,704	1,920,611	1,962,176	3,499,529	3,568,880
Total Assets	3,752,809	3,581,341	2,088,942	2,155,622	5,841,751	5,740,963
Liabilities						
Current liabilities	37,172	41,769	33,435	65,765	70,607	107,534
Net Assets						
Invested in capital assets	1,578,918	1,606,704	1,920,611	1,962,176	3,499,529	3,568,880
Unrestricted	2,136,719	1,936,868	134,896	127,681	2,271,615	2,064,549
Total Net Assets	<u>\$3,715,637</u>	<u>\$3,543,572</u>	<u>\$2,055,507</u>	<u>\$2,089,857</u>	<u>\$5,771,144</u>	<u>\$5,633,429</u>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2007:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenue:						
Charges for services	\$ 162,881	\$ 178,178	\$ 170,487	\$ 149,767	\$ 333,368	\$ 327,945
Capital grants and contributions	—	—	11,500	10,200	11,500	10,200
General revenue:						
Property taxes	418,300	387,280	—	—	418,300	387,280
State sources	395,723	397,594	—	—	395,723	397,594
Investment earnings	125,426	66,257	8,771	5,732	134,197	70,989
Other	13,381	3,476	—	—	13,381	3,476
Total revenues	<u>1,115,711</u>	<u>1,032,785</u>	<u>190,758</u>	<u>164,699</u>	<u>1,306,469</u>	<u>1,197,484</u>
Expenses						
General government	339,679	268,887	—	—	339,679	268,887
Public safety	217,137	211,250	—	—	217,137	211,250
Public works	315,400	284,196	—	—	315,400	284,196
Community and economic development	40,580	27,045	—	—	40,580	27,045
Other township	30,850	30,416	—	—	30,850	30,416
Sewer operations	—	—	225,108	273,611	225,108	273,611
Total expenses	<u>943,646</u>	<u>821,794</u>	<u>225,108</u>	<u>273,611</u>	<u>1,168,754</u>	<u>1,095,405</u>
Increase (decrease) in net assets	<u>172,065</u>	<u>210,991</u>	<u>(34,350)</u>	<u>(108,912)</u>	<u>137,715</u>	<u>102,079</u>
Net assets - beginning of year	<u>3,543,572</u>	<u>3,332,581</u>	<u>2,089,857</u>	<u>2,198,769</u>	<u>5,633,429</u>	<u>5,531,350</u>
Net assets - end of year	<u>\$3,715,637</u>	<u>\$3,543,572</u>	<u>\$2,055,507</u>	<u>\$2,089,857</u>	<u>\$5,771,144</u>	<u>\$5,633,429</u>

Governmental activities increased the Township's net assets by \$172,065. Key elements of this increase are as follows:

- Property taxes increased by \$31,020 (8 percent). This increase is a product of new construction in the Township and increased valuations on existing properties.
- Investment earnings increased by \$59,169 (89 percent) due to more favorable interest rates and investment strategies.
- Total expenses increased by \$121,852 due mainly to increases in Township general government and road improvement expenditures.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

Business activities (sewer operations) decreased the Township's net assets by \$34,350 as compared to \$108,912 in 2005-06 due mainly to increased usage rates (\$10 per quarter) and decreased system operation and maintenance and repair expenses.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,136,719, an increase of \$199,851 in comparison with the prior year. 100 percent of this total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

Courtland Township's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$845,466 and total expenditures of \$724,730. It ended the year with a fund balance of \$1,839,574, up from \$1,718,838 at March 31, 2006.

The *Fire Fund* levies property taxes for fire protection services. The Fund had total revenues of \$231,371 and total expenditures of \$147,337. The expenditures include \$29,750 for new vehicles and equipment. It ended the year with a fund balance of \$243,821, up from \$159,787 at March 31, 2006.

Nonmajor Funds

The *Inland Lakes Fund* levies property taxes to be used for weed control at Township lakes. Total revenues were \$38,874 and expenditures totaled \$43,793. It ended the year with a fund balance of \$53,324, down from \$58,243 at March 31, 2006.

Proprietary fund. The Township's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The Sewer Enterprise Fund had total revenues of \$190,758 and total expenses of \$225,108. It ended the year with net assets of \$2,055,507, down from \$2,089,857 at March 31, 2006.

General Fund Budgetary Highlights

No changes were made to the Township's original adopted budget during the fiscal year.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2007

Capital Asset and Debt Administration

Capital Assets

At March 31, 2007, the Township had a \$4,910,798 investment in a broad range of capital assets, including land, land improvements, sewer system, buildings and improvements, and furniture and equipment. (More detailed information about capital assets can be found in the Notes To Basic Financial Statements.)

Capital asset purchases totaled \$29,750 for the fiscal year with accumulated depreciation increasing \$99,101. The net book value of capital assets at March 31, 2007 is detailed as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 47,745	\$ —	\$ 47,745
Land improvements	27,736	—	27,736
Buildings and improvements	1,161,136	—	1,161,136
Sewer system	—	1,920,611	1,920,611
Vehicles	235,739	—	235,739
Furniture and equipment	106,562	—	106,562
Net Capital Assets	\$ 1,578,918	\$ 1,920,611	\$ 3,499,529

Long-Term Debt

The Township had no long-term debt outstanding at March 31, 2007 or 2006.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General Fund budget for 2007-08 anticipates an excess of expenditures over revenues of \$389,906 to be drawn from the previous year's fund balance, due mainly to increased road and park improvement expenditures. This estimate reflects conservative budgeting for property tax revenues and for continuing reductions in state shared revenues. The Township strives to maintain a high quality of taxpayer service, including paving roads, while trying to control/reduce costs within the Township. The Township Board's policy has been to save money for future projects, such as the township park plan, in order to incur minimal debt. Over the past fifteen years we have constructed two fire stations and a township hall following this policy and, thus, have no outstanding debt at this time.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marilyn Crosby, Township Clerk, Courtland Township, 7450 - 14 Mile Road, Rockford, MI, 49341.

BASIC FINANCIAL STATEMENTS

COURTLAND TOWNSHIP
Statement of Net Assets
March 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 2,073,529	\$ 161,037	\$ 2,234,566
Receivables:			
Taxes (Note C)	29,734	-	29,734
Accounts (Note F)	5,658	4,686	10,344
Due from tax roll (Note F)	-	2,608	2,608
Due from other governmental units	64,970	-	64,970
Total Current Assets	<u>2,173,891</u>	<u>168,331</u>	<u>2,342,222</u>
Noncurrent Assets			
Capital assets (Note E)	1,909,924	3,000,874	4,910,798
Less accumulated depreciation	(331,006)	(1,080,263)	(1,411,269)
Total Noncurrent Assets	<u>1,578,918</u>	<u>1,920,611</u>	<u>3,499,529</u>
Total Assets	<u>3,752,809</u>	<u>2,088,942</u>	<u>5,841,751</u>
Liabilities			
Current Liabilities			
Due to other governmental units	-	33,435	33,435
Escrow deposits	37,172	-	37,172
Total Liabilities	<u>37,172</u>	<u>33,435</u>	<u>70,607</u>
Net Assets			
Invested in capital assets	1,578,918	1,920,611	3,499,529
Unrestricted	2,136,719	134,896	2,271,615
Total Net Assets	<u><u>\$ 3,715,637</u></u>	<u><u>\$ 2,055,507</u></u>	<u><u>\$ 5,771,144</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Activities
For the year ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$339,679	\$ 23,308	\$ -	\$ (316,371)	\$ -	\$(316,371)
Public safety	217,137	102,815	-	(114,322)	-	(114,322)
Public works	315,400	36,758	-	(278,642)	-	(278,642)
Community and economic development	40,580		-	(40,580)	-	(40,580)
Other township	30,850	-	-	(30,850)	-	(30,850)
Total Governmental Activities	<u>\$943,646</u>	<u>\$ 162,881</u>	<u>\$ -</u>	<u>(780,765)</u>	<u>-</u>	<u>(780,765)</u>
Business-type activities:						
Sewer enterprise fund	<u>\$225,108</u>	<u>\$170,487</u>	<u>\$11,500</u>	<u>-</u>	<u>(43,121)</u>	<u>(43,121)</u>
General revenues:						
Property taxes levied for:						
General operations				202,327	-	202,327
Fire				215,973	-	215,973
State revenue sharing				395,723	-	395,723
Interest earnings				125,426	8,771	134,197
Other				13,381	-	13,381
Total General Revenues				<u>952,830</u>	<u>8,771</u>	<u>961,601</u>
Change in Net Assets				<u>172,065</u>	<u>(34,350)</u>	<u>137,715</u>
Net Assets - Beginning of Year				<u>3,543,572</u>	<u>2,089,857</u>	<u>5,633,429</u>
Net Assets - End of Year				<u>\$ 3,715,637</u>	<u>\$ 2,055,507</u>	<u>\$5,771,144</u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2007

	<u>General</u>	<u>Special Revenue Fire</u>	<u>Other Governmental Inland Lakes</u>	<u>Total</u>
Assets				
Cash equivalents, deposits and investments (Note B)	\$ 1,621,769	\$ 399,706	\$ 52,054	\$ 2,073,529
Taxes receivable (Note C)	13,649	14,815	1,270	29,734
Due from other funds (Note D)	176,358	-	-	176,358
Due from other governmental units	64,970	-	-	64,970
Total Assets	<u><u>\$ 1,876,746</u></u>	<u><u>\$ 414,521</u></u>	<u><u>\$ 53,324</u></u>	<u><u>\$ 2,344,591</u></u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds (Note D)	\$ -	\$ 170,700	\$ -	\$ 170,700
Escrow deposits	37,172	-	-	37,172
Total Liabilities	<u>37,172</u>	<u>170,700</u>	<u>-</u>	<u>207,872</u>
Fund balances:				
Unreserved:				
Undesignated, reported in:				
General fund	1,839,574	-	-	1,839,574
Special revenue funds	-	243,821	53,324	297,145
Total Fund Balances	<u>1,839,574</u>	<u>243,821</u>	<u>53,324</u>	<u>2,136,719</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,876,746</u></u>	<u><u>\$ 414,521</u></u>	<u><u>\$ 53,324</u></u>	<u><u>\$ 2,344,591</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2007

Total governmental fund balances	\$ 2,136,719
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$1,909,924 and accumulated depreciation is \$331,006.	<u>1,578,918</u>
Total net assets - governmental activities	<u><u>\$ 3,715,637</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2007

	General	Special Revenue Fire	Other Governmental Inland Lakes	Total
Revenues				
Taxes	\$ 202,327	\$ 215,973	\$ 36,758	\$ 455,058
Licenses and permits	102,815	-	-	102,815
State sources	395,723	-	-	395,723
Charges for services	23,308	-	-	23,308
Interest and rentals	108,562	14,748	2,116	125,426
Other revenue	12,731	650	-	13,381
Total Revenues	845,466	231,371	38,874	1,115,711
Expenditures				
Current:				
General government	323,237	-	-	323,237
Public safety	58,456	147,337	-	205,793
Public works	271,607	-	43,793	315,400
Community and economic development	40,580	-	-	40,580
Other township	30,850	-	-	30,850
Total Expenditures	724,730	147,337	43,793	915,860
Net Change in Fund Balances	120,736	84,034	(4,919)	199,851
Fund Balances, April 1	1,718,838	159,787	58,243	1,936,868
Fund Balances, March 31	\$ 1,839,574	\$ 243,821	\$ 53,324	\$ 2,136,719

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2007

Net change in fund balances - total governmental funds	\$ 199,851
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized
and the cost is allocated over their estimated useful lives as deprecia-
tion expense. This is the amount by which depreciation exceeded
capital outlays in the current period:

	Capital outlays	29,750	
	Depreciation expense	(57,536)	(27,786)
		<hr/>	<hr/>
Total changes in net assets - governmental activities		\$	172,065

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 182,350	\$ 182,350	\$ 202,327	\$ 19,977
Licenses and permits	138,840	138,840	102,815	(36,025)
State sources	395,132	395,132	395,723	591
Charges for services	18,900	18,900	23,308	4,408
Interest and rentals	53,500	53,500	108,562	55,062
Other revenue	3,300	3,300	12,731	9,431
Total Revenues	<u>792,022</u>	<u>792,022</u>	<u>845,466</u>	<u>53,444</u>
Expenditures				
Current:				
General government:				
Township board	16,200	16,200	15,965	235
Supervisor	25,150	25,150	24,857	293
Clerk	37,250	37,250	37,780	(530)
Treasurer	41,175	41,175	37,556	3,619
Assessor	47,200	47,200	45,624	1,576
General administration	188,700	188,700	90,970	97,730
Elections	8,500	8,500	8,883	(383)
Legal and audit	27,300	27,300	24,472	2,828
Buildings and grounds	18,750	18,750	18,425	325
Cemetery	13,800	13,800	18,705	(4,905)
Total general government	<u>424,025</u>	<u>424,025</u>	<u>323,237</u>	<u>100,788</u>
Public safety:				
Inspections	103,700	103,700	58,456	45,244
Public works:				
Drains	4,000	4,000	3,909	91
Highways, streets and bridges	489,250	489,250	263,752	225,498
Street lighting	4,000	4,000	3,946	54
Total public works	<u>497,250</u>	<u>497,250</u>	<u>271,607</u>	<u>225,643</u>
Community and economic development:				
Planning	41,175	41,175	40,580	595
Other township	35,000	35,000	30,850	4,150
Contingency	45,000	45,000	-	45,000
Total Expenditures	<u>1,146,150</u>	<u>1,146,150</u>	<u>724,730</u>	<u>421,420</u>
Net Change in Fund Balances	<u>(354,128)</u>	<u>(354,128)</u>	<u>120,736</u>	<u>474,864</u>
Fund Balances, April 1	<u>1,718,838</u>	<u>1,718,838</u>	<u>1,718,838</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 1,364,710</u></u>	<u><u>\$ 1,364,710</u></u>	<u><u>\$ 1,839,574</u></u>	<u><u>\$ 474,864</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Fire Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2007

	Budget	Actual	Variance- Positive (Negative)
Revenues			
Taxes	\$ 200,968	\$ 215,973	\$ 15,005
Interest and rentals	5,000	14,748	9,748
Other revenue	300	650	350
Total Revenues	<u>206,268</u>	<u>231,371</u>	<u>25,103</u>
Expenditures			
Current:			
Public safety	202,009	147,337	54,672
Net Change in Fund Balances	<u>4,259</u>	<u>84,034</u>	<u>79,775</u>
Fund Balances, April 1	<u>159,787</u>	<u>159,787</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 164,046</u></u>	<u><u>\$ 243,821</u></u>	<u><u>\$ 79,775</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Net Assets
Proprietary Fund
March 31, 2007

	<u>Sewer Enterprise</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 161,037
Receivables:	
Accounts (Note F)	4,686
Due from tax roll (Note F)	<u>2,608</u>
Total Current Assets	<u>168,331</u>
Noncurrent Assets	
Capital assets (Note E)	3,000,874
Less accumulated depreciation	<u>(1,080,263)</u>
Total Noncurrent Assets	<u>1,920,611</u>
Total Assets	<u>2,088,942</u>
Liabilities	
Current Liabilities	
Due to other governmental units	<u>33,435</u>
Net Assets	
Invested in capital assets	1,920,611
Unrestricted	<u>134,896</u>
Total Net Assets	<u><u>\$ 2,055,507</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the year ended March 31, 2007

	Sewer Enterprise
Operating Revenues	
Charges for services	\$ 170,487
Operating Expenses	
Sewer:	
Salaries	2,034
Social Security taxes	155
Operating supplies	850
Audit fees	1,500
Engineering fees	505
Commodity charges	26,251
Operation and maintenance	133,048
Other expense	320
Depreciation	41,565
Total Operating Expenses	206,228
Operating Loss	(35,741)
Nonoperating Revenues (Expenses)	
Interest income	8,771
Connection fees	11,500
Contributions to North Kent Sewer Authority	(18,880)
Net Nonoperating Revenues (Expenses)	1,391
Net Loss	(34,350)
Net Assets, April 1	2,089,857
Net Assets, March 31	\$ 2,055,507

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Cash Flows
Proprietary Fund Type
For the year ended March 31, 2007

	Sewer Enterprise
Cash Flows From Operating Activities	
Received from customers	\$ 169,322
Payments to suppliers	(194,804)
Payments to employees	(2,189)
Net Cash Provided By (Used For) Operating Activities	<u>(27,671)</u>
Cash Flows From Capital and Related Financing Activities	
Connection charges	11,500
Contributions to North Kent Sewer Authority	(18,880)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(7,380)</u>
Cash Flows From Investing Activities	
Interest received	<u>8,771</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(26,280)
Cash and Cash Equivalents, beginning of year	<u>187,317</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 161,037</u></u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities	
Operating loss	<u>\$ (35,741)</u>
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Depreciation	41,565
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	577
(Increase) decrease in due from property tax roll	(1,742)
Increase (decrease) in due to other governmental units	(32,330)
Total adjustments	<u>8,070</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ (27,671)</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Fiduciary Fund
Statement of Fiduciary Net Assets
March 31, 2007

	Agency Fund
	<hr/>
Assets	
Cash equivalents, deposits and investments (Note B)	<u>\$ 6,987</u>
Liabilities	
Due to other funds (Note D)	\$ 5,658
Due to other governmental units	<u>1,329</u>
Total Liabilities	<u>\$ 6,987</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Note A – Summary of Significant Accounting Policies

Courtland Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Board of Trustees which consists of a Supervisor, Clerk, Treasurer and four Trustees, each of whom is elected for a four year term of office. The Township provides, or contributes to the providing of, the following services to its residents as provided by statute: public safety (police, fire and inspections), highways and streets, parks and recreation, cultural, public improvements, planning and zoning, general administrative, sewage disposal and other services.

The financial statements of Courtland Township (the “Township”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Township’s accounting policies are described below.

1. The Reporting Entity

The accompanying financial statements present the Township of Courtland. The Township has no component units, i.e., entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements – The fund financial statements provide information about the Township’s funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Fire Special Revenue Fund* accounts for property tax revenues levied to maintain the operations and capital improvements of the Township Fire Department.

The Township reports the following enterprise fund:

The *Sewer Enterprise Fund* accounts for the operation of the Township's sanitary sewer system.

Additionally, the Township reports the following funds:

The *Inland Lakes Special Revenue Fund* levies property taxes to be used for weed control at Township lakes.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with the current period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the Supervisor, Clerk, Treasurer and the Township Trustees.
- The completed budgets are then presented to Township electors at a public budget hearing in March, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, sewer system, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, sewer system, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-30 years
Buildings and improvements	25-40 years
Sewer system	50 years
Vehicles	5-20 years
Furniture and equipment	5-15 years

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

11. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school Township in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Township in Michigan.

Balances at March 31, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:

Governmental activities	\$ 2,073,529
Business-type activities	<u>161,037</u>
	\$ 2,234,566

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Cash equivalents, deposits and investments of Fiduciary Funds:	
Agency Fund	<u>6,987</u>
	<u><u>\$ 2,241,553</u></u>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and liquid asset accounts. Deposits consist of certificates of deposit.

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Choice One Bank
2. JP Morgan Chase Bank, N.A.
3. Byron Bank
4. Greenville Community Bank

March 31, 2007 balances are detailed as follows:

	Primary Government
Deposits	<u>\$ 2,241,553</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned to the Township. Protection of Township cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Township's cash equivalents and deposits was \$2,241,553 and the bank balance was \$2,258,341. Of the bank balance \$400,000 was covered by federal depository insurance and \$1,858,341 was uninsured and uncollateralized.

Custodial Credit Risk and Interest Rate Risk

It is the policy of Courtland Township to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

The Township's investment policy states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of discretion to be used by investment officials shall be the

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

“prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Funds of Courtland Township will be invested in accordance with state and local statutes, and in accordance with the following objectives in order of priority:

Safety: Safety of principal is the foremost objective of the investment program. Investments of Courtland Township shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: Courtland Township’s investment portfolio will remain sufficiently liquid to enable the Township to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by Courtland Township shall be conducted on a cash basis (delivery-versus-payment (DVP) basis). Securities will be held by a third party custodian designated by the Township Treasurer and evidenced by safekeeping receipts and determined by the Treasurer.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

Note C – General Property Taxes

Property taxes for the Township and Kent County become due and payable on December 1 of each year. Property taxes for school districts become due and payable on July 1 and December 1, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

Township property tax revenues are recognized in the General and Special Revenue Funds in the fiscal year levied, to the extent they are measurable and available. The 2006 property tax roll, levied December 1, 2006, represents revenue for the fiscal year ended March 31, 2007.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Grand Rapids Community College, Kent Intermediate School District, Rockford Public Schools and Cedar Springs Public Schools. Collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The Township is permitted to levy up to 1.1 mills of general property taxes on the assessed valuation in the Township. Due to the effect of the Headlee Amendment, the actual tax levy was reduced to 0.8232 mills for 2006-07 general operations. The Township also levied 0.8935 mills for fire department operations.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2006	2005	2004	2003
Township taxes levied	\$415,259	\$386,122	\$359,353	\$334,363
Taxes collected:				
Current to March 1	386,457	360,031	335,332	314,505
Total to March 31, 2007	386,457	385,780	335,011	333,419
Percentages of collections:				
Current to March 1	93.06%	93.24%	93.32%	94.06%
Total to March 31, 2007	93.06%	99.91%	99.90%	99.72%

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2007 valuations in the following summary:

Year	Real	Personal	Total
2007	\$238,846,163	\$5,278,400	\$244,124,563
2006	238,623,049	9,118,991	247,742,040
2005	219,814,675	5,125,100	224,939,775
2004	201,080,450	4,917,000	205,997,450
2003	184,175,818	5,359,400	189,535,218
2002	168,389,189	5,054,500	173,443,689
2001	154,594,853	4,718,100	159,312,953
2000	139,723,816	4,376,600	144,100,416
1999	130,811,202	4,205,100	135,016,302
1998	119,933,464	3,750,200	123,683,664

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds at March 31, 2007 are detailed as follows:

	Due From	Due To
General Fund:		
Fire Special Revenue Fund	\$ 170,700	\$ —
Tax Account Agency Fund	5,658	—
Special Revenue Funds:		
Fire Special Revenue Fund:		
General Fund	—	170,700
Agency Fund:		
Tax Account Agency Fund:		
General Fund	—	5,658
	<u>\$ 176,358</u>	<u>\$ 176,358</u>

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Note E – Capital Assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Balances</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Sales/ Retirements</u>	<u>Balances</u> <u>March 31, 2007</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 47,745	\$ —	\$ —	\$ 47,745
Capital assets being depreciated:				
Land improvements	40,262	—	—	40,262
Buildings and improvements	1,337,752	—	—	1,337,752
Furniture and equipment	142,694	—	—	142,694
Vehicles	311,721	29,750	—	341,471
	<u>1,880,174</u>	<u>\$ 29,750</u>	<u>\$ —</u>	<u>1,909,924</u>
Totals at historical cost				
	<u>1,880,174</u>	<u>\$ 29,750</u>	<u>\$ —</u>	<u>1,909,924</u>
Less accumulated depreciation for:				
Land improvements	\$ 10,513	\$ 2,013	\$ —	\$ 12,526
Buildings and improvements	146,517	30,099	—	176,616
Furniture and equipment	27,669	8,463	—	36,132
Vehicles	88,771	16,961	—	105,732
	<u>273,470</u>	<u>\$ 57,536</u>	<u>\$ —</u>	<u>331,006</u>
Total accumulated depreciation				
	<u>273,470</u>	<u>\$ 57,536</u>	<u>\$ —</u>	<u>331,006</u>
Net Capital Assets –				
Governmental Activities	<u>\$ 1,606,704</u>			<u>\$ 1,578,918</u>

Depreciation expense was charged to Township governmental functions as follows:

Governmental activities:	
General government	\$ 16,442
Public safety	41,094
	<u>57,536</u>
Total Depreciation Expense	<u>\$ 57,536</u>

	<u>Balances</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Sales/ Retirements</u>	<u>Balances</u> <u>March 31, 2007</u>
Business-Type Activities				
Capital assets being depreciated:				
Sewer system	\$ 3,000,874	\$ —	\$ —	\$ 3,000,874
Less accumulated depreciation	1,038,698	41,565	—	1,080,263
	<u>1,038,698</u>	<u>41,565</u>	<u>—</u>	<u>1,080,263</u>
Net Capital Assets –				
Business-Type Activities	<u>\$ 1,962,176</u>			<u>\$ 1,920,611</u>

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2007

Note F – Receivables

Amounts shown as accounts receivable of the Enterprise Funds consist of current and delinquent sewer usage charges.

Amounts due from the general property tax roll represent sewer bills that are delinquent six months as of September 1 each year and are certified to the general property tax roll as of that date together with interest at 6% per annum. These amounts are then included with the general property taxes which become due and payable December 1 each year and become a lien on the property as of that date.

Note G – Accounts Payable

Accounts payable represent expenditures and operating expenses incurred during the year ended March 31, 2007, but not paid until subsequent to the close of the Township's fiscal year.

Note H – Stewardship, Compliance and Accountability

The following Township fund had actual expenditures exceed final budgeted expenditures for the year ended March 31, 2007, as follows:

	Budget	Actual	Negative Variance
Inland Lakes Special Revenue Fund	\$ 39,750	\$ 43,793	\$ 4,043

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

COURTLAND TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 1,621,769	\$ 1,496,804
Receivables:		
Taxes	13,649	12,347
Accounts	-	4,183
Due from other funds	176,358	181,124
Due from other governmental units	<u>64,970</u>	<u>66,149</u>
Total Assets	<u><u>\$ 1,876,746</u></u>	<u><u>\$ 1,760,607</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 4,003
Due to other governmental units	-	42
Escrow deposits	<u>37,172</u>	<u>37,724</u>
Total Liabilities	<u>37,172</u>	<u>41,769</u>
Fund Balances		
Unreserved:		
Undesignated	<u>1,839,574</u>	<u>1,718,838</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,876,746</u></u>	<u><u>\$ 1,760,607</u></u>

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended March 31, 2007 and 2006

	2007	2006
Taxes:		
Current property taxes	\$ 200,499	\$ 185,111
Street lighting assessment	1,755	1,084
Other taxes	73	93
	<u>202,327</u>	<u>186,288</u>
Licenses and permits:		
Cable television fees	32,989	29,488
Right-of-way fees	6,869	5,932
Building permits	34,156	42,150
Electrical permits	10,148	17,004
Mechanical permits	10,183	14,713
Plumbing permits	8,328	11,563
Dog licenses	142	87
	<u>102,815</u>	<u>120,937</u>
State sources:		
Sales taxes	395,723	397,594
Charges for services:		
Planning commission fees	2,100	2,200
Zoning and appeals fees	1,800	1,400
Summer tax collection fees	10,803	10,553
Grave openings	5,255	3,070
Sale of cemetery lots	3,350	2,800
	<u>23,308</u>	<u>20,023</u>
Interest and rentals:		
Interest on deposits and investments	106,962	57,040
Rentals	1,600	1,900
	<u>108,562</u>	<u>58,940</u>
Other revenue:		
Miscellaneous	12,731	1,600
	<u>12,731</u>	<u>1,600</u>
Total Revenues	<u><u>\$ 845,466</u></u>	<u><u>\$ 785,382</u></u>

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2007 and 2006

	2007	2006
Current:		
General government:		
Township board:		
Salaries	\$ 15,200	\$ 12,400
Travel and expenses	765	334
	<u>15,965</u>	<u>12,734</u>
Supervisor:		
Supervisor salary	22,000	20,000
Office supplies	1,099	1,143
Travel and expenses	458	751
Miscellaneous	1,300	910
	<u>24,857</u>	<u>22,804</u>
Clerk:		
Salaries:		
Clerk	26,500	23,000
Deputy	9,991	7,994
Travel and expenses	531	306
Legal notices and publications	758	682
	<u>37,780</u>	<u>31,982</u>
General administration:		
Clerical salaries	22,689	16,337
Zoning enforcement officer	260	-
Office supplies	1,969	1,319
Postage	3,998	5,281
Telephone	4,237	3,874
Travel and expenses	7	-
Community relations	13,267	13,207
Community cable	3,299	2,949
Newsletter	2,412	2,193
Equipment maintenance	18,996	18,713
Dues and memberships	10,862	8,143
New equipment	8,974	5,350
	<u>90,970</u>	<u>77,366</u>
Treasurer:		
Salaries:		
Treasurer	26,500	23,000
Deputy	6,033	5,779
Office supplies	44	51
Property tax administration system	4,474	4,025
Travel and expenses	505	364
	<u>37,556</u>	<u>33,219</u>
Assessor:		
Salaries:		
Assessor	34,000	33,000
Deputy	10,550	8,694
Office supplies	614	617
Travel and expenses	365	365
Dues and memberships	95	20
	<u>45,624</u>	<u>42,696</u>

(Continued)

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2007 and 2006

	2007	2006
Elections:		
Election workers salaries	\$ 7,427	\$ 819
Office supplies	1,456	729
	<u>8,883</u>	<u>1,548</u>
Buildings and grounds:		
Custodial and maintenance salaries	3,026	2,989
Supplies	682	555
Utilities	6,487	5,707
Repair and maintenance	8,045	3,522
Equipment maintenance	185	314
New equipment	-	140
	<u>18,425</u>	<u>13,227</u>
Legal and audit:		
Legal fees	14,806	9,526
Audit fees	9,666	8,750
	<u>24,472</u>	<u>18,276</u>
Cemetery:		
Contracted services	6,385	1,570
Utilities	96	200
Grounds maintenance	12,224	8,120
	<u>18,705</u>	<u>9,890</u>
Total general government	<u>323,237</u>	<u>263,742</u>
Public safety:		
Inspections:		
Salaries:		
Building inspector	30,931	40,360
Mechanical inspector	10,640	16,842
Electrical inspector	8,328	11,455
Plumbing inspector	7,902	13,210
Supplies	138	328
Professional services	45	-
Miscellaneous	472	128
Total public safety	<u>58,456</u>	<u>82,323</u>
Public works:		
Drains:		
Kent County drain assessment	3,909	4,791
Highways, streets and bridges:		
Road construction	258,634	228,607
Dust layer	5,118	7,113
	<u>263,752</u>	<u>235,720</u>
Street lighting:		
Utilities	3,946	3,380
Total public works	<u>271,607</u>	<u>243,891</u>

(Continued)

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Economic and community development:		
Planning and zoning:		
Salaries:		
Zoning administrator	\$ 13,500	\$ 12,000
Clerical	1,682	777
Planning commission	7,440	6,370
Supplies	105	95
Professional services	17,522	7,318
Master plan development	331	485
Total economic and community development	<u>40,580</u>	<u>27,045</u>
Other township:		
Social Security taxes	15,933	14,255
Insurance and bonds	14,384	14,890
Miscellaneous	533	1,271
Total other township	<u>30,850</u>	<u>30,416</u>
Total Expenditures	<u><u>\$ 724,730</u></u>	<u><u>\$ 647,417</u></u>

NONMAJOR GOVERNMENTAL FUNDS

COURTLAND TOWNSHIP
Inland Lakes Improvement Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2007

	Budget	Actual	Variance- Positive (Negative)
Revenues			
Taxes	\$ 37,218	\$ 36,758	\$ (460)
Interest and rentals	650	2,116	1,466
	<hr/>	<hr/>	<hr/>
Total Revenues	37,868	38,874	1,007
	<hr/>	<hr/>	<hr/>
Expenditures			
Current:			
Public works	39,750	43,793	(4,043)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	(1,883)	(4,919)	(3,037)
	<hr/>	<hr/>	<hr/>
Fund Balances, April 1	58,243	58,243	-
	<hr/>	<hr/>	<hr/>
Fund Balances, March 31	<u>\$ 56,361</u>	<u>\$ 53,324</u>	<u>\$ (3,037)</u>

SPECIAL REVENUE FUNDS

Fire — to accumulate property tax revenues and interest earnings to maintain the Township Fire Department.

Inland Lakes Improvement — to account for taxes levied for weed control purposes on Big Brower Lake, Little Brower Lake and Myers Lake.

**COURTLAND TOWNSHIP
Fire Special Revenue Fund
Comparative Balance Sheet
March 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 399,706	\$ 316,824
Taxes receivable	<u>14,815</u>	<u>13,402</u>
Total Assets	<u><u>\$ 414,521</u></u>	<u><u>\$ 330,226</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ 170,700</u>	<u>\$ 170,439</u>
Fund Balances		
Unreserved:		
Undesignated	<u>243,821</u>	<u>159,787</u>
Total Liabilities and Fund Balances	<u><u>\$ 414,521</u></u>	<u><u>\$ 330,226</u></u>

COURTLAND TOWNSHIP
Fire Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2007 and 2006

	2007	2006
Revenues		
Taxes:		
Current property taxes	\$ 215,973	\$ 200,992
Interest and rentals:		
Interest on deposits and investments	14,748	6,130
Other revenue:		
Sale of assets	650	3,576
Miscellaneous	-	6,600
Total Revenues	<u>231,371</u>	<u>217,298</u>
Expenditures		
Current:		
Public safety:		
Fire department:		
Salaries:		
Fire chief	22,000	20,500
Deputy fire chief	5,000	3,700
Firefighters	17,880	14,228
Custodial	1,731	1,551
Social Security taxes	3,847	3,511
Supplies	1,215	851
Gas and oil	4,294	4,022
Rescue supplies	537	626
Physical examinations	2,648	1,620
Travel, workshops and conferences	1,500	1,500
Education	4,400	2,450
Insurance and bonds	2,258	1,448
Utilities	13,454	11,127
Building maintenance	8,479	1,801
Equipment maintenance	1,083	1,720
Vehicle maintenance	6,099	3,988
County fire assessment	7,397	5,619
Dues and memberships	80	105
Miscellaneous	1,294	2,752
New equipment	11,256	9,311
New vehicles	30,885	84,835
Total Expenditures	<u>147,337</u>	<u>177,265</u>
Net Change in Fund Balances	84,034	40,033
Fund Balances, April 1	<u>159,787</u>	<u>119,754</u>
Fund Balances, March 31	<u><u>\$ 243,821</u></u>	<u><u>\$ 159,787</u></u>

COURTLAND TOWNSHIP
Inland Lakes Improvement Special Revenue Fund
Comparative Balance Sheet
March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 52,054	\$ 56,140
Taxes receivable	<u>1,270</u>	<u>2,103</u>
Total Assets	<u><u>\$ 53,324</u></u>	<u><u>\$ 58,243</u></u>
 Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>53,324</u>	<u>58,243</u>
Total Liabilities and Fund Balances	<u><u>\$ 53,324</u></u>	<u><u>\$ 58,243</u></u>

COURTLAND TOWNSHIP
Inland Lakes Improvement Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Taxes:		
Weed control assessments	\$ 36,758	\$ 37,218
Interest and rentals:		
Interest on investments	<u>2,116</u>	<u>1,187</u>
Total Revenues	<u>38,874</u>	<u>38,405</u>
Expenditures		
Current:		
Public works:		
Weed control services	<u>43,793</u>	<u>40,305</u>
Net Change in Fund Balances	(4,919)	(1,900)
Fund Balances, April 1	<u>58,243</u>	<u>60,143</u>
Fund Balances, March 31	<u><u>\$ 53,324</u></u>	<u><u>\$ 58,243</u></u>

ENTERPRISE FUND

Sewer Enterprise - to account for the provision of sewer services to the residents of the Township. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance, administration, debt service, construction and billing and collection.

COURTLAND TOWNSHIP
Sewer Enterprise Fund
Comparative Balance Sheet
March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets		
Cash equivalents, deposits and investments	\$ 161,037	\$ 187,317
Receivables:		
Accounts	4,686	5,263
Due from property tax roll	<u>2,608</u>	<u>866</u>
Total Current Assets	<u>168,331</u>	<u>193,446</u>
Noncurrent Assets		
Capital assets	3,000,874	3,000,874
Less accumulated depreciation	<u>(1,080,263)</u>	<u>(1,038,698)</u>
Net Capital Assets	<u>1,920,611</u>	<u>1,962,176</u>
Total Assets	<u><u>\$ 2,088,942</u></u>	<u><u>\$ 2,155,622</u></u>
Liabilities and Fund Equity		
Liabilities		
Current liabilities:		
Due to other governmental units	<u>\$ 33,435</u>	<u>\$ 65,765</u>
Fund Equity		
Retained earnings:		
Unreserved	<u>2,055,507</u>	<u>2,089,857</u>
Total Liabilities and Fund Equity	<u><u>\$ 2,088,942</u></u>	<u><u>\$ 2,155,622</u></u>

COURTLAND TOWNSHIP
Sewer Enterprise Fund
Comparative Schedule of Revenues, Expenses and Changes in Retained Earnings
For the years ended March 31, 2007 and 2006

	2007	2006
Operating Revenues		
Charges for services:		
Sewer usage charges	\$ 170,014	\$ 149,140
Permits and inspections	473	627
Total Operating Revenues	<u>170,487</u>	<u>149,767</u>
Operating Expenses		
Sewer:		
Salaries	2,034	2,014
Social Security taxes	155	160
Operating supplies	850	3,780
Audit fees	1,500	1,500
Engineering fees	505	1,110
Commodity charges	26,251	22,263
Operation and maintenance	133,048	177,511
Other expenses	320	98
Depreciation	41,565	41,565
Total Operating Expenses	<u>206,228</u>	<u>250,001</u>
Operating Loss	<u>(35,741)</u>	<u>(100,234)</u>
Nonoperating Revenues (Expenses)		
Interest income	8,771	4,732
Connection fees	11,500	10,200
Contributions to North Kent Sewer Authority	(18,880)	(23,610)
Net Nonoperating Revenues (Expenses)	<u>1,391</u>	<u>(8,678)</u>
Net Loss	<u>(34,350)</u>	<u>(108,912)</u>
Retained Earnings, April 1	<u>2,089,857</u>	<u>2,198,769</u>
Retained Earnings, March 31	<u><u>\$ 2,055,507</u></u>	<u><u>\$ 2,089,857</u></u>

COURTLAND TOWNSHIP
Sewer Enterprise Fund
Comparative Schedule of Cash Flows
For the years ended March 31, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Cash received from customers	\$ 169,322	\$ 151,102
Cash payments to suppliers	(194,804)	(159,356)
Cash payments to employees	(2,189)	(2,174)
Net Cash Provided By (Used For) Operating Activities	<u>(27,671)</u>	<u>(10,428)</u>
Cash Flows From Capital and Related Financing Activities		
Connection charges	11,500	23,398
Contributions to North Kent Sewer Authority	(18,880)	(23,610)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(7,380)</u>	<u>(212)</u>
Cash Flows From Investing Activities		
Interest received	8,771	4,732
Net Increase (Decrease) In Cash and Cash Equivalents	(26,280)	(5,908)
Cash and Cash Equivalents, beginning of year	187,317	193,225
Cash and Cash Equivalents, end of year	<u><u>\$ 161,037</u></u>	<u><u>\$ 187,317</u></u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities		
Operating loss	<u>\$ (35,741)</u>	<u>\$ (100,234)</u>
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	41,565	41,565
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	577	(749)
(Increase) decrease in due from property tax roll	(1,742)	2,028
Increase (decrease) in due to other governmental units	(32,330)	46,962
Total adjustments	<u>8,070</u>	<u>89,806</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ (27,671)</u></u>	<u><u>\$ (10,428)</u></u>

AGENCY FUND

Tax Account Agency—to account for the collection of current and delinquent property taxes, dog licenses, delinquent special assessments and delinquent quarterly sewer charges and payment to the governmental units, funds or other persons entitled to receive these funds.

COURTLAND TOWNSHIP
Tax Account Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended March 31, 2007

	<u>Balances</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>March 31, 2007</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 10,795</u>	<u>\$ 7,278,734</u>	<u>\$ 7,282,542</u>	<u>\$ 6,987</u>
Liabilities				
Accounts payable	\$ -	\$ 35,958	\$ 35,958	\$ -
Due to other funds	10,685	482,270	487,297	5,658
Due to other governmental units	<u>110</u>	<u>6,760,506</u>	<u>6,759,287</u>	<u>1,329</u>
Total Liabilities	<u>\$ 10,795</u>	<u>\$ 7,278,734</u>	<u>\$ 7,282,542</u>	<u>\$ 6,987</u>

OTHER INFORMATION

COURTLAND TOWNSHIP
Summary of 2006 Taxes Levied and Collected
For the year ended March 31, 2007

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Ad Valorem Taxes</u>					
Kent County					
Operating	\$247,742,040	5.31400	\$ 1,316,501	\$ 74,079	\$ 1,242,422
Meyers Lake well			33,570	658	32,912
Total Kent County			1,350,071	74,737	1,275,334
Kent District Library	247,742,040	0.88000	214,775	14,902	199,873
State Education Tax		6.00000			
Cedar Springs Public Schools	74,076,890		444,461	27,899	416,562
Rockford Public Schools	173,665,150		1,020,006	37,347	982,659
Total State Education Tax			1,464,467	65,246	1,399,221
School Districts					
Kent Intermediate School District	247,742,040	4.64530	1,144,791	51,003	1,093,788
Grand Rapids Community College	247,742,040	1.78650	436,032	19,426	416,606
Cedar Springs Public Schools:					
Other	74,076,890	7.00000	518,538	32,548	485,990
Operating	11,630,658	18.00000	209,364	47,094	162,270
Rockford Public Schools:					
Other	173,665,150	8.99750	1,838,109	123,077	1,715,032
Operating	21,838,611	18.00000	169,114	8,417	160,697
Total School Districts			4,315,948	281,565	4,034,383
Courtland Township	247,742,040				
Operating		0.82320	199,128	13,816	185,312
Fire protection		0.89350	216,141	14,996	201,145
Special levies:					
Street light assessment			1,084	40	1,044
Weed control			36,873	1,385	35,488
Delinquent sewer/water			6,633	2,608	4,025
Total Courtland Township			459,859	32,845	427,014
Total Ad Valorem Taxes			<u>\$ 7,805,120</u>	<u>\$ 469,295</u>	<u>\$ 7,335,825</u>

(Continued)

COURTLAND TOWNSHIP
Summary of 2006 Taxes Levied and Collected
For the year ended March 31, 2007

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Commercial Forest Taxes</u>					
Kent County	\$ 3,480	2.65700	\$ 9	\$ -	\$ 9
Kent District Library	3,480	0.44000	2	-	2
State Education Tax					
Rockford Public Schools	3,480	3.00000	10	-	10
School Districts					
Kent Intermediate School District	3,480	2.32265	7	-	7
Grand Rapids Community College	3,480	0.89325	3	-	3
Rockford Public Schools:					
Other	3,480	4.49875	14	-	14
Operating	3,480	9.00000	48	-	48
Courtland Township	3,480				
Operating		0.41160	1	-	1
Fire protection		0.44675	2	-	2
Total Commercial Forest Taxes			<u>\$ 96</u>	<u>\$ -</u>	<u>\$ 96</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 8, 2007

The Township Board
Courtland Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Courtland Township as of and for the year ended March 31, 2007. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this Statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Courtland Township.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Significant Accounting Policies

The elected officials and management of Courtland Township have the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter will advise the Township elected officials and management about the appropriateness of accounting policies and their application. The significant accounting policies used by Courtland Township are described in Note A of the Notes to Basic Financial Statements in the Comprehensive Annual Financial Report. As described in Note A, Courtland Township changed accounting policies related to financial reporting by adopting GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments in fiscal year 2004-05*

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing our audit of the financial records of Courtland Township. We did make several adjusting/balancing entries to the various bank and investment account balances in the General, Fire, and Lakes Funds of the Township to reconcile bank and book balances at March 31, 2007

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements.

General Fund

1. \$12,437 and \$13,649 to reverse and accrue prior and current year taxes receivable.
2. \$66,149 and \$64,970 to reverse and accrue final state revenue sharing payments receivable at year end.
3. \$8,394 to balance the various bank and investment accounts at March 31, 2007.

Inland Lakes Improvement Fund

1. \$2,187 and \$1,270 to reverse and accrue year end taxes receivable.

Fire Fund

1. \$13,402 and \$14,815 to reverse and accrue year end taxes receivable.

Sewer Enterprise Fund

1. \$41,565 to record 2006-07 depreciation expense on system assets.
2. \$6,129 and \$7,294 to reverse and accrue prior and current year end accounts receivable.
3. \$65,765 and \$33,435 to reverse and accrue prior and current year end accounts payable.

Passed Audit Adjustments

There were no adjustments proposed during the audit that were not recorded by Courtland Township.

Suggestions and Recommendations

We offered suggestions and recommendations of a minor nature regarding the day-to-day operations of the accounting system to the Township Clerk and Treasurer as the topics arose during the course of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the Township's business office and assist in more efficient monthly and year end financial record keeping and reporting. The following recommendations pertain to the enhanced requirements detailed in the AICPA's Statement on Auditing Standards No. 112 "Communicating Internal Control Related Matters Identified in an Audit", effective for audits of financial statements for periods ending on or after December, 31, 2006:

- The Township should consider dual signature checks for disbursements from the Tax Account Agency Funds to insure independent oversight of this fund. The second signer on the checks and/or the Township Board should be furnished a listing of checks for disbursement for their review and/or approval.
- The Township should consider involving more office personnel involved in the Sewer billing/collection/receipting/depositing process to increase the segregation of duties in this area, and increase the oversight and monitoring activities in this area.

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This communication is intended solely for the information and use of the Township Board, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

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We appreciate the opportunity to provide financial auditing and advisory services to Courtland Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of Courtland Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 8, 2007

The Township Board
Courtland Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Courtland Township as of and for the year ended March 31, 2007. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP), the person responsible for the accounting and reporting function lacks the skills and knowledge to apply (GAAP) in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Courtland Township is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Courtland Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Courtland Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control that we consider to be a material weakness.

- Officers, employees or management who lack the qualifications and training to fulfill certain functions:
 1. The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting requirements; specifically in recording the Township's financial transactions or preparing its financial statements (including the notes to basic financial statements).

This communication is intended solely for the information and use of management, the Township Board, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Barten, P.C.

Certified Public Accountants